

SOUTH PAGE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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South Page Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Ron Peterman	President	2008
Brenda Swanson	Vice President	2007
Ellen Nothwehr	Board Member	2006
Terry Carlson	Board Member	2006
Deb Wallin	Board Member	2008

Board of Education (After September 2006 Election)		
Ron Peterman	President	2008
Brenda Swanson	Vice President	2007
Deb Wallin	Board Member	2008
Ellen Nothwehr	Board Member	2009
Junior Neihart	Board Member	2009

School Officials		
Joy Jones	Superintendent	2007
Vicki King	District Secretary	2007
Ahlers & Cooney, P.C.	Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
South Page Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Page Community School District, College Springs, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Page Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2008 on our consideration of South Page Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Page Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson

NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

South Page Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,258,456 in fiscal 2006 to \$2,482,563 in fiscal 2007, while General Fund expenditures increased from \$2,440,851 in fiscal 2006 to \$2,624,104 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$418,378 in fiscal 2006 to \$276,837 in fiscal 2007, a 33.8% decrease from the prior year.
- The increase in General Fund revenues was attributable to a decrease in property tax and federal sources in fiscal 2007. The increase in expenditures was due primarily to an increase in the support services functions.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of South Page Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report South Page Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which South Page Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
South Page Community School District Annual Financial Report

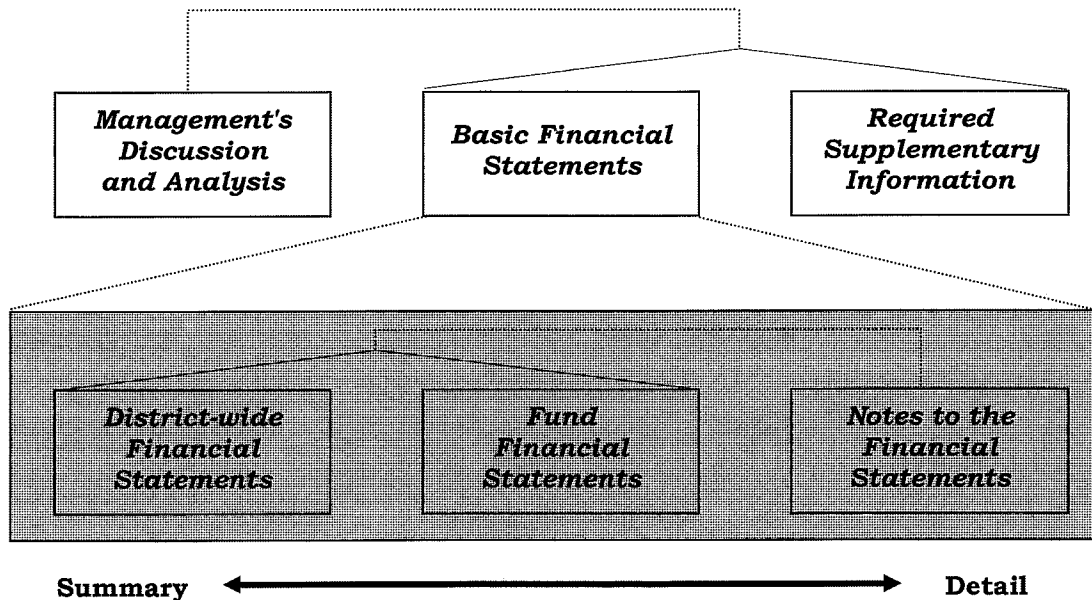


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to

measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is a trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust.

The Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 1,794,911	2,144,720	2,028	2,575	1,796,939	2,147,295	-16.32%
Capital assets	1,531,724	1,537,402	8,816	5,067	1,540,540	1,542,469	-0.13%
Total assets	3,326,635	3,682,122	10,844	7,642	3,337,479	3,689,764	-9.55%
Long-term obligations	160,000	195,000	0	0	160,000	195,000	-17.95%
Other liabilities	1,231,799	1,498,117	5,604	8,921	1,237,403	1,507,038	-17.89%
Total liabilities	1,391,799	1,693,117	5,604	8,921	1,397,403	1,702,038	-17.90%
Net assets:							
Invested in capital assets, net of related debt	1,371,724	1,483,478	8,816	5,067	1,380,540	1,488,545	-7.26%
Restricted	254,031	50,633	0	0	254,031	50,633	401.71%
Unrestricted	309,081	454,894	(3,576)	(6,346)	305,505	448,548	-31.89%
Total net assets	\$ 1,934,836	1,989,005	5,240	(1,279)	1,940,076	1,987,726	-2.40%

The District's combined net assets decreased by 2.40%, or \$47,650, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$203,398, or 401.71% over the prior year. The increase was primarily a result of the reclassification of the Debt Service and Capital Projects Fund Balances from the invested in capital asset, net of related debt category to the restricted net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$143,043, or 31.89%.

Figure A-4 shows the changes in net assets at June 30, 2007 and 2006.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 268,826	189,475	33,171	39,051	301,997	228,526	32.15%
Operating grants and contributions and restricted interest	436,048	363,524	57,343	54,330	493,391	417,854	18.08%
General revenues:							
Property tax	977,815	943,297	0	0	977,815	943,297	3.66%
Local option sales and service tax	146,695	143,026	0	0	146,695	143,026	2.57%
Unrestricted state grants	946,149	965,329	0	0	946,149	965,329	-1.99%
Other	47,015	52,878	0	89	47,015	52,967	-11.24%
Transfers	(5,036)	(3,277)	4,592	3,277	(444)	0	-100.00%
Total revenues	2,817,512	2,654,252	95,106	96,747	2,912,618	2,750,999	5.87%
Program expenses:							
Governmental activities:							
Instructional	1,735,179	1,773,381	0	0	1,735,179	1,773,381	-2.15%
Support services	904,285	784,052	0	0	904,285	784,052	15.33%
Non-instructional programs	0	0	88,587	82,316	88,587	82,316	7.62%
Other expenses	232,217	186,027	0	0	232,217	186,027	24.83%
Total expenses	2,871,681	2,743,460	88,587	82,316	2,960,268	2,825,776	4.76%
Change in net assets	(54,169)	(89,208)	6,519	14,431	(47,650)	(74,777)	-36.28%
Net assets beginning of year	1,989,005	2,078,213	(1,279)	(15,710)	1,987,726	2,062,503	-3.63%
Net assets end of year	\$ 1,934,836	1,989,005	5,240	(1,279)	1,940,076	1,987,726	-2.40%

In fiscal 2007, property tax and unrestricted state grants account for 68.3% of the revenue from governmental activities while charges for services and operating grants and contributions accounted for 95.2% of the revenues from the business type activities.

The District's total revenues were approximately \$2.91 million of which \$2.82 million was for governmental activities and \$0.09 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 5.87% in revenues and a 4.76% increase in expenses. The increase in expenses was related to the increase in support service costs during the year.

Governmental Activities

Revenues for governmental activities were \$2,817,512 and expenses were \$2,871,681.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 1,735,179	1,773,381	-2.15%	1,129,141	1,314,014	-14.07%
Support services	904,285	784,052	15.33%	897,286	780,694	14.93%
Other expenses	232,217	186,027	24.83%	140,380	95,753	46.61%
Totals	<u>\$ 2,871,681</u>	<u>2,743,460</u>	<u>4.67%</u>	<u>2,166,807</u>	<u>2,190,461</u>	<u>-1.08%</u>

- The cost financed by users of the District's programs was \$268,826.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$436,048.
- The net cost of governmental activities was financed with \$977,815 in property tax, \$146,695 in local option sales and services tax, \$946,149 in unrestricted state grants, \$32,745 in interest income and other general revenue of \$14,270.

Business-Type Activities

Revenues of the District's business-type activities were \$95,106 and expenses were \$88,587. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the South Page Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$529,216, below last year's ending fund balances of a \$614,647. However, the primary reason for the decrease in combined fund balances in fiscal 2007 is due to the decrease in the General Fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is due to the increase in revenues not being able to sustain the increase in expenditures.
- The Capital Projects Fund balance decreased from \$89,263 in fiscal 2006 to \$131,599 in fiscal 2007. This increase was the result of the decrease in expenditures during the year.

Proprietary Fund Highlights

The Proprietary Funds net assets increased from a deficit balance of \$1,279 at June 30, 2006 to a positive balance of \$5,240 at June 30, 2007, representing an increase of 510%. For fiscal 2007, the District received less monies from charges for services, state and federal sources.

BUDGETARY HIGHLIGHTS

The District's revenues were \$155,925 less than budgeted revenues, a variance of 5.1%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures function.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1,540,540, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of less than 1% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$108,010.

The original cost of the District's capital assets was \$4,154,747. Governmental funds account for \$4,077,165 with the remainder of \$77,582 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$150,934 at June 30, 2007, compared to \$95,780 reported at June 30, 2006.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 52,000	52,000	0	0	52,000	52,000	0.00%
Construction in progress	0	29,176	0	0	0	29,176	-100.00%
Buildings	1,124,356	1,168,586	0	0	1,124,356	1,168,586	-3.78%
Land improvements	213,250	196,927	0	0	213,250	196,927	8.29%
Machinery and equipment	142,118	90,713	8,816	5,067	150,934	95,780	57.58%
Total	\$ 1,531,724	1,537,402	8,816	5,067	1,540,540	1,542,469	-0.13%

Long-Term Debt

At June 30, 2007, the District had \$160,000 in revenue bonded indebtedness outstanding. This represents a decrease of 17.9% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
Revenue bonds	\$ 160,000	195,000	-17.9%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- October 2007 certified enrollment decreased by 13.6 students.
- The District will be working with the local mayors to discuss the possibilities of economic development for the area.
- The District is looking into alternative energy sources.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vicki King, Board Secretary, South Page Community School District's District Office, Box 98, College Springs, Iowa, 51637.

BASIC FINANCIAL STATEMENTS

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP (Note 5)	\$ 196,498	0	196,498
Other	451,669	0	451,669
Receivables:			
Property tax:			
Delinquent	20,460	0	20,460
Succeeding year	956,547	0	956,547
Income surtax	34,906	0	34,906
Accounts	9,937	0	9,937
Accrued interest - ISCAP (Note 5)	7,085	0	7,085
Due from other governments	117,809	0	117,809
Inventories	0	2,028	2,028
Capital assets, net of accumulated depreciation(Note 6)	1,531,724	8,816	1,540,540
Total Assets	3,326,635	10,844	3,337,479
Liabilities			
Excess of warrants issued over bank balance	0	4,827	4,827
Due to other funds	506	0	506
Accounts payable	71,480	0	71,480
Salaries and benefits payable	1,376	0	1,376
ISCAP warrants payable (Note 5)	197,000	0	197,000
ISCAP accrued interest payable (Note 5)	3,769	0	3,769
ISCAP unamortized premium	636	0	636
Accrued interest payable	485	0	485
Deferred revenue:			
Succeeding year property tax	956,547	0	956,547
Other	0	777	777
Long-term liabilities(Note 7):			
Portion due within one year:			
Revenue bonds payable	35,000	0	35,000
Portion due after one year:			
Revenue bonds payable	125,000	0	125,000
Total Liabilities	1,391,799	5,604	1,397,403
Net Assets			
Invested in capital assets, net of related debt	1,371,724	8,816	1,380,540
Restricted for:			
Market factor	2,177	0	2,177
Debt service	53,688	0	53,688
Capital projects	131,599	0	131,599
Management levy	27,283	0	27,283
Physical plant and equipment levy	9,501	0	9,501
Other special revenue purposes	29,783	0	29,783
Unrestricted	309,081	(3,576)	305,505
Total Net Assets	\$ 1,934,836	5,240	1,940,076

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,068,952	66,354	323,629	(678,969)	0	(678,969)
Special instruction	475,750	0	13,583	(462,167)	0	(462,167)
Other instruction	190,477	202,472	0	11,995	0	11,995
	<u>1,735,179</u>	<u>268,826</u>	<u>337,212</u>	<u>(1,129,141)</u>	<u>0</u>	<u>(1,129,141)</u>
Support services:						
Student services	7,716	0	0	(7,716)	0	(7,716)
Instructional staff services	106,629	0	0	(106,629)	0	(106,629)
Administration services	397,739	0	0	(397,739)	0	(397,739)
Operation and maintenance of plant services	232,697	0	0	(232,697)	0	(232,697)
Transportation services	159,504	0	6,999	(152,505)	0	(152,505)
	<u>904,285</u>	<u>0</u>	<u>6,999</u>	<u>(897,286)</u>	<u>0</u>	<u>(897,286)</u>
Other expenditures:						
Facilities and acquisitions	70,390	0	0	(70,390)	0	(70,390)
Long-term debt interest	6,636	0	0	(6,636)	0	(6,636)
AEA flowthrough	91,837	0	91,837	0	0	0
Depreciation(unallocated)*	63,354	0	0	(63,354)	0	(63,354)
	<u>232,217</u>	<u>0</u>	<u>91,837</u>	<u>(140,380)</u>	<u>0</u>	<u>(140,380)</u>
Total governmental activities	<u>2,871,681</u>	<u>268,826</u>	<u>436,048</u>	<u>(2,166,807)</u>	<u>0</u>	<u>(2,166,807)</u>
Business-Type activities:						
Non-instructional programs:						
Nutrition services	88,587	33,171	57,343	0	1,927	1,927
Total business-type activities	<u>88,587</u>	<u>33,171</u>	<u>57,343</u>	<u>0</u>	<u>1,927</u>	<u>1,927</u>
Total	<u>\$ 2,960,268</u>	<u>301,997</u>	<u>493,391</u>	<u>(2,166,807)</u>	<u>1,927</u>	<u>(2,164,880)</u>
General Revenues and Transfers:						
General revenues:						
Local tax for:						
General purposes				\$ 959,023	0	959,023
Capital outlay				18,792	0	18,792
Local option sales and services tax				146,695	0	146,695
Unrestricted state grants				946,149	0	946,149
Unrestricted investment earnings				32,745	0	32,745
Other				14,270	0	14,270
Transfers				(5,036)	4,592	(444)
Total general revenues and transfers				<u>2,112,638</u>	<u>4,592</u>	<u>2,117,230</u>
Changes in net assets				(54,169)	6,519	(47,650)
Net assets beginning of year				<u>1,989,005</u>	<u>(1,279)</u>	<u>1,987,726</u>
Net assets end of year				<u>\$ 1,934,836</u>	<u>5,240</u>	<u>1,940,076</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP (Note 5)	\$ 196,498	0	0	196,498
Other	241,102	98,158	112,409	451,669
Receivables:				
Property tax:				
Delinquent	18,923	0	1,537	20,460
Succeeding year	882,479	0	74,068	956,547
Income surtax	34,906	0	0	34,906
Accounts	609	0	9,328	9,937
Accrued interest - ISCAP (Note 5)	7,085	0	0	7,085
Due from other governments	84,139	33,670	0	117,809
Total Assets	\$ 1,465,741	131,828	197,342	1,794,911
Liabilities and Fund Balances				
Liabilities:				
Interfund payable	\$ 50	0	456	506
Accounts payable	68,688	229	2,563	71,480
Salaries and benefits payable	1,376	0	0	1,376
ISCAP warrants payable (Note 5)	197,000	0	0	197,000
ISCAP accrued interest payable (Note 5)	3,769	0	0	3,769
ISCAP unamortized premium	636	0	0	636
Deferred revenue:				
Succeeding year property tax	882,479	0	74,068	956,547
Income surtax	34,906	0	0	34,906
Total liabilities	1,188,904	229	77,087	1,266,220
Fund balances:				
Reserved for:				
Market factor	2,177	0	0	2,177
Debt service	0	0	53,688	53,688
Unreserved	274,660	131,599	66,567	472,826
Total fund balances	276,837	131,599	120,255	528,691
Total Liabilities and Fund Balances	\$ 1,465,741	131,828	197,342	1,794,911

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 528,691
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,531,724
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	34,906
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(485)
Long-term liabilities, including revenue bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(160,000)</u>
 Net assets of governmental activites (page 13)	 <u><u>\$ 1,934,836</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 904,900	146,695	70,533	1,122,128
Tuition	66,354	0	0	66,354
Other	44,128	3,621	116,738	164,487
Intermediate sources	85,000	0	0	85,000
State sources	1,198,529	0	16	1,198,545
Federal sources	183,652	0	0	183,652
Total revenues	2,482,563	150,316	187,287	2,820,166
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	1,067,806	0	0	1,067,806
Special instruction	475,750	0	0	475,750
Other instruction	100,064	0	90,413	190,477
	1,643,620	0	90,413	1,734,033
Support services:				
Student services	7,716	0	0	7,716
Instructional staff services	136,776	0	0	136,776
Administration services	410,434	0	0	410,434
Operation and maintenance of plant services	215,174	0	52,381	267,555
Transportation services	118,547	0	20,400	138,947
	888,647	0	72,781	961,428
Other expenditures:				
Facilities acquisitions	0	66,522	10,139	76,661
Long-term debt:				
Principal	0	0	35,000	35,000
Interest	0	0	6,719	6,719
AEA flowthrough	91,837	0	0	91,837
	91,837	66,522	51,858	210,217
Total expenditures	2,624,104	66,522	215,052	2,905,678
Deficiency of revenues under expenditures	(141,541)	83,794	(27,765)	(85,512)
Other financing sources(uses):				
Transfers in	0	0	41,818	41,818
Transfers out	0	(41,818)	(444)	(42,262)
Total other financing sources(uses)	0	(41,818)	41,374	(444)
Net change in fund balances	(141,541)	41,976	13,609	(85,956)
Fund balance beginning of year	418,378	89,623	106,646	614,647
Fund balance end of year	\$ 276,837	131,599	120,255	528,691

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ (85,956)

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 101,489	
Depreciation expense	<u>(107,167)</u>	(5,678)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	35,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	83
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	<u>2,382</u>
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Changes in net assets of governmental activities (page 14)	<u><u>\$ (54,169)</u></u>
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SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	<u>School</u> <u>Nutrition</u>
Assets	
Inventories	\$ 2,028
Capital assets, net of accumulated depreciation (Note 6)	<u>8,816</u>
Total Assets	<u>10,844</u>
 Liabilities	
Excess of warrants issued over bank balance	4,827
Unearned revenue	<u>777</u>
Total Liabilities	<u>5,604</u>
 Net Assets	
Invested in capital assets	8,816
Unrestricted	<u>(3,576)</u>
Total Net Assets	<u><u>\$ 5,240</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	<u>\$ 33,171</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	32,414
Benefits	4,290
Services	492
Supplies	50,351
Other	197
Depreciation	843
TOTAL OPERATING EXPENSES	<u>88,587</u>
OPERATING LOSS	<u>(55,416)</u>
NON-OPERATING REVENUES:	
State sources	1,297
Federal sources	56,046
TOTAL NON-OPERATING REVENUES	<u>57,343</u>
Change in net assets before contributed capital	1,927
Contributed capital	<u>4,592</u>
Net income	6,519
Net assets beginning of year	<u>(1,279)</u>
Net assets end of year	<u><u>\$ 5,240</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 33,071
Cash received from miscellaneous	877
Cash payments to employees for services	(36,704)
Cash payments to suppliers for goods or services	(45,985)
Net cash used in operating activities	<u>(48,741)</u>
Cash flows from non-capital financing activities:	
State grants received	1,297
Federal grants received	51,538
Net cash provided by non-capital financing activities	<u>52,835</u>
Net increase in cash and cash equivalents	4,094
Cash and cash equivalents at beginning of year	<u>(8,921)</u>
Cash and cash equivalents at end of year	<u><u>\$ (4,827)</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (55,416)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	4,508
Depreciation	843
Decrease in inventories	547
Increase in unearned revenue	777
Net cash used in operating activities	<u><u>\$ (48,741)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ (4,827)</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$4,508.

During the year ended June 30, 2007, the Nutrition Fund received contributed capital of \$4,592 from the PPEL Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	\$ 2,019
Interfund receivables	506
Total Assets	<u>2,525</u>
Liabilities	<u>0</u>
Net Assets	
Restricted for scholarships	2,000
Unrestricted	525
Total Net Assets	<u>\$ 2,525</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2007

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	<u>\$ 81</u>
Deductions	<u> 0</u>
Income before other financing sources	81
Other financing sources:	
Transfer in	<u> 444</u>
Change in net assets	525
Net assets beginning of year	<u> 2,000</u>
Net assets end of year	<u><u>\$ 2,525</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The South Page Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of College Springs, Iowa, and the predominate agricultural territory in Page County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, South Page Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The South Page Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Page County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District's proprietary fund is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require

income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's

principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds

had not been paid or received as of June 30, 2007 balances of interfund accounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized

since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 175,592

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
Private Purpose Trust	General	\$ 50
Private Purpose Trust	Special Revenue: Student Activity	456
Total		<u>\$ 506</u>

(4) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 41,818
Private Purpose Trust	Special Revenue: Expendable Trust	444
Total		<u>\$ 42,262</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating

entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 0	2,650	0	0
2006-07B	1/26/07	1/25/08	196,498	4,435	197,000	3,769
Total			\$ 196,498	7,085	197,000	3,769

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2007.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 76,640	4,592	3,650	77,582
Less accumulated depreciation	71,573	843	3,650	68,766
Business-type activities capital assets, net	\$ 5,067	5,435	7,300	8,816

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,000	0	0	52,000
Construction in progress	29,176	6,271	35,447	0
Total capital assets not being depreciated	81,176	6,271	35,447	52,000
Capital assets being depreciated:				
Buildings	2,450,670	0	0	2,450,670
Land improvements	347,030	35,447	0	382,477
Machinery and equipment	1,096,800	95,218	0	1,192,018
Total capital assets being depreciated	3,894,500	130,665	0	4,025,165
Less accumulated depreciation for:				
Buildings	1,282,084	44,230	0	1,326,314
Land improvements	150,103	19,124	0	169,227
Machinery and equipment	1,006,087	43,813	0	1,049,900
Total accumulated depreciation	2,438,274	107,167	0	2,545,441
Total capital assets being depreciated, net	1,456,226	23,498	0	1,479,724
Governmental activities capital assets, net	\$ 1,537,402	29,769	35,447	1,531,724

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 1,146
Support services:	
Instructional support	17,476
Operation and maintenance of plant	4,634
Transportation	20,557
	43,813
Unallocated depreciation	63,354
Total governmental activities depreciation expense	\$ 107,167
Business-type activities:	
Food service operations	\$ 843
Total business-type activities depreciation expense	\$ 843

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 195,000	0	35,000	160,000	35,000

Bonded Debt

Details of the District's June 30, 2007 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of February 1, 2003			
	Interest Rates	Principal	Interest	Total
2008	3.200 %	\$ 35,000	5,260	40,260
2009	3.500	40,000	4,000	44,000
2010	3.750	40,000	240	40,240
2011	4.000	45,000	900	45,900
Total		\$ 160,000	10,400	170,400

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$79,974, \$77,734, and \$71,785 respectively, equal to the required contributions for each year.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2007 were \$280,640.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

South Page Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$91,837 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Net Assets

The Proprietary Fund, School Nutrition Fund had deficit unrestricted net assets of \$3,576 at June 30, 2007.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,352,969	33,171	1,386,140	1,322,326	1,322,326	63,814
Intermidaiate sources	85,000	0	85,000	0	0	85,000
State sources	1,198,545	1,297	1,199,842	1,212,629	1,212,629	(12,787)
Federal sources	183,652	56,046	239,698	531,650	531,650	(291,952)
Total revenues	2,820,166	90,514	2,910,680	3,066,605	3,066,605	(155,925)
Expenditures:						
Instruction	1,734,033	0	1,734,033	2,247,475	2,247,475	513,442
Support services	961,428	0	961,428	1,163,049	1,163,049	201,621
Non-instructional programs	0	88,587	88,587	97,000	97,000	8,413
Other expenditures	210,217	0	210,217	182,141	182,141	(28,076)
Total expenditures	2,905,678	88,587	2,994,265	3,689,665	3,689,665	695,400
Excess(deficiency) of revenues over(under) expenditures	(85,512)	1,927	(83,585)	(623,060)	(623,060)	539,475
Other financing sources, net	(444)	4,592	4,148	(129,029)	(129,029)	133,177
Excess(deficiency) of revenues over(under) expenditures	(85,956)	6,519	(79,437)	(752,089)	(752,089)	672,652
Balance beginning of year	614,647	(1,279)	613,368	815,201	815,201	(201,833)
Balance end of year	\$ 528,691	5,240	533,931	63,112	63,112	470,819

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	
Assets						
Cash and pooled investments	\$ 26,156	21,588	10,977	58,721	53,688	112,409
Receivables:						
Property tax:						
Current year delinquent	1,127	0	410	1,537	0	1,537
Succeeding year	55,000	0	19,068	74,068	0	74,068
Accounts	0	9,328	0	9,328	0	9,328
Total Assets	\$ 82,283	30,916	30,455	143,654	53,688	197,342
Liabilities and Fund Balances						
Liabilities:						
Interfund payable	\$ 0	456	0	456	0	456
Accounts payable	0	677	1,886	2,563	0	2,563
Deferred revenue:						
Succeeding year property tax	55,000	0	19,068	74,068	0	74,068
Total liabilities	55,000	1,133	20,954	77,087	0	77,087
Fund balances:						
Reserved for:						
Debt Service	0	0	0	0	53,688	53,688
Unreserved	27,283	29,783	9,501	66,567	0	66,567
Total fund balances	27,283	29,783	9,501	66,567	53,688	120,255
Liabilities and Fund Balances	\$ 82,283	30,916	30,455	143,654	53,688	197,342

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	
REVENUES:							
Local sources:							
Local tax	\$ 51,741	0	18,792	0	70,533	0	70,533
Other	0	115,170	0	0	115,170	1,568	116,738
State sources	0	0	16	0	16	0	16
TOTAL REVENUES	51,741	115,170	18,808	0	185,719	1,568	187,287
EXPENDITURES:							
Current:							
Instruction:							
Other instruction	0	90,413	0	0	90,413	0	90,413
Support services:							
Operation and maintenance of plant services	52,381	0	0	0	52,381	0	52,381
Student transportation	0	0	20,400	0	20,400	0	20,400
Other expenditures:							
Facilities and acquisitions	0	0	10,139	0	10,139	0	10,139
Long-term debt:							
Principal	0	0	0	0	0	35,000	35,000
Interest	0	0	0	0	0	6,719	6,719
TOTAL EXPENDITURES	52,381	90,413	30,539	0	173,333	41,719	215,052
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(640)	24,757	(11,731)	0	12,386	(40,151)	(27,765)
OTHER FINANCING SOURCES:							
Transfer in	0	0	0	0	0	41,818	41,818
Transfer out	0	0	0	(444)	(444)	0	(444)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	0	(444)	(444)	41,818	41,374
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES(USES)	(640)	24,757	(11,731)	(444)	11,942	1,667	13,609
FUND BALANCE BEGINNING OF YEAR	27,923	5,026	21,232	444	54,625	52,021	106,646
FUND BALANCE END OF YEAR	\$ 27,283	29,783	9,501	0	66,567	53,688	120,255

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,767	352	114	2,005
Vocal	1,910	0	981	929
Instrumental	(585)	20	0	(565)
Football	1,940	0	1,940	0
Athletics	(8,573)	19,894	11,269	52
Weightlifting Club	654	604	430	828
Girls Softball Club	318	0	0	318
Gate Change	(150)	525	0	375
Activity interest	586	204	158	632
Pop Machine	(377)	283	1	(95)
Elementary Carnival	(3,055)	6,374	3,253	66
Class of 2007	4,048	433	4,425	56
Class of 2008	284	17,226	12,953	4,557
Class of 2009	604	40	47	597
Class of 2010	171	235	0	406
Class of 2011	0	65	0	65
Class of 2012	0	70	0	70
Class of 2013	0	70	0	70
Annual	(3,508)	6,110	5,222	(2,620)
Corner Conference	600	800	700	700
National Honor Society	2,569	4,210	3,122	3,657
Cheerleaders	604	5,046	4,275	1,375
Drill Team	10	0	0	10
Student Council	195	1,108	793	510
FCCLA	185	0	0	185
FFA	1,835	17,565	16,908	2,492
MS Student Council	213	5,791	5,573	431
Spanish Club	323	0	0	323
Trips and Activities	0	5,155	4,380	775
Library	1,575	2,678	2,301	1,952
Booster Club	883	20,312	11,568	9,627
Total	\$ 5,026	115,170	90,413	29,783

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	1,122,128	1,053,799	1,167,875	1,159,197
Tuition		66,354	65,691	65,477	51,912
Other		164,487	171,058	139,346	166,910
Intermediate sources		85,000	3,797	0	0
State sources		1,198,545	1,191,256	1,253,081	1,302,959
Federal sources		183,652	137,597	129,141	489,953
Total	\$	2,820,166	2,623,198	2,754,920	3,170,931
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	1,067,806	1,092,910	1,047,608	1,015,036
Special instruction		475,750	358,508	319,517	325,089
Other instruction		190,477	322,403	330,026	282,762
Support services:					
Student services		7,716	3,615	4,178	21,669
Instructional staff services		136,776	69,140	52,201	21,005
Administration services		410,434	334,274	318,601	348,487
Operation and maintenance of plant services		267,555	244,677	257,790	213,837
Transportation services		138,947	111,292	156,367	84,470
Other expenditures:					
Facilities acquisitions		76,661	165,545	161,259	534,691
Long-term debt:					
Principal		35,000	35,000	30,000	30,000
Interest		6,719	7,579	9,393	10,598
AEA flow-through		91,837	90,274	92,612	94,165
Total	\$	2,905,678	2,835,217	2,779,552	2,981,809

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
South Page Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of South Page Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 13, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Page Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of South Page Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Page Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects South Page Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of South Page Community School District's financial statements that is more than inconsequential will not be prevented or detected by South Page Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by South Page Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

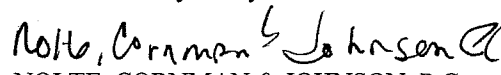
As part of obtaining reasonable assurance about whether South Page Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

South Page Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit South Page Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of South Page Community School District and other parties to whom South Page Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of South Page Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2008

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-07 Payroll Procedures - It was noted that quarterly payroll reports are not being filed in a timely manner. The District is incurring penalties because these reports aren't filed timely.

We also noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - The District should review their procedures to ensure that all payroll reports are filed in a timely manner.

In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - For fiscal year 2007, there was only one time when our business manager was attending a workshop that the quarterly payroll reports were a couple of days late. We have not been assessed any penalties to date. Any penalties that we were assessed in fiscal year 2007 were a result of the previous business manager's neglect including leaving with short notice just before reports were due. It was a period of time before the District had a replacement and it was discovered that the payroll reports had not been filed. The current business manager is cognizant of filing dates and faithful in that duty.

We have requested that coaches keep track of their hours while under a coaching contract. This request was made to our basketball coaches, our volleyball coach, our baseball coach and our concession stand manager. As of March 2008, we have one set of hours on file and are anticipating the other shortly as the basketball season has just ended and baseball season hasn't started.

Conclusion - Response accepted.

I-C-07 Capital Assets - The District currently isn't keeping track of capital asset acquisitions and deletions. Capital assets are required to be maintained for financial statement presentation.

Recommendation - Capital asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of the amount of capital assets at any point in time. This is necessary for both an accurate account of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft. The Districts accounting software is capable of keeping a complete list of additions, deletions, and current assets for reporting purposes. The District may want to consider sending their accounting staff to training to be able to utilize this aspect of the accounting software.

Response - A complete inventory will be taken and a procedure for adding and deleting capital assets will be established. Our accounting personnel will be trained to utilize the accounting software.

Conclusion - Response accepted.

I-D-07 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The District records required numerous end-of-year adjustments. There were numerous accounts receivable and accounts payable that were recorded incorrectly. There were also no adjustments made for the changes in inventories, capital assets or long-term debt. We also noted equipment purchases coded to salary expenses.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The accounting personnel has engaged in two training workshops and will continue to receive additional training in order to maintain reliable accounting records. Specifically, training in the areas necessary to complete the Certified Annual Report will be obtained.

Conclusion - Response accepted.

I-E-07 Student Activity Fund - During our audit issues arose about the properness of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8).

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. The interest earned each year should be allocated out at on an annual basis to the individual activity accounts. More specific findings are as follows:

There is a balance in the interest account at the end of year. This balance should be allocated out among the other activity accounts on an annual basis.

There is a library and book fair account. These accounts appear to be more instructional in nature and therefore should be transferred to the General Fund where the receipts and expenses would more appropriately be handled.

Response - The library activity account where we have accounted for book fair money has been moved from the 21 (student activities) account to a 10 (general fund) account.

Conclusion - Response accepted.

- I-F-07 Purchase Orders - We noted during the audit that purchase orders were dated after the supplies had been either ordered or received. It was also noted that the District is not using pre-numbered purchase orders.

We also noted during our audit that purchase orders in the Activity Fund were used, instead of invoices as supporting documentation when paying bills.

Recommendation - These procedures should be reviewed and necessary changes made so that all expenditures have a pre-numbered purchase order that is approved by the appropriate administrator before the ordering of supplies takes place.

In cases when an invoice may not be available, the District should adopt procedures such as requiring additional approval or requiring support document other than an invoice. All supporting documentation for the purchase should be retained by the District.

Response - The school has on hand several hundred unnumbered purchase orders. In order to remedy the situation and save the district expenses, we have hand numbered the P.O. and they are only given out from two sources. These sources record who the purchase order is for when the form leaves the office.

The original reasoning behind going to unnumbered P.O.s was to restrict teachers or other personnel from being able to make purchases without them being approved by an administrator. It was more of a purchase request and then when the purchase was approved a number was assigned and the order was made. By pre-numbering the P.O. personnel have to be interviewed before the form is given to find out who, why, what and how much so the form can be distributed. When new forms are ordered they will be pre-numbered.

Conclusion - Response accepted.

- I-G-07 Gate Admissions - It was noted that the District utilizes pre-numbered tickets for event admissions and a reconciliation is performed after the event. However, through discussion with personnel, it was discovered that tickets are torn off the roll after the event so that the number of tickets sold will match the money received. In addition the

reconciliation is only performed by one person after the event. This procedure significantly impacts the intended controls of using the pre-numbered tickets.

Recommendation - The internal control of the District utilizing pre-numbered tickets is deteriorated by tearing off the number needed to reconcile to the cash collected. The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The district will review its policies and procedures in regard to reconciliation of cash collected at sporting events and bring them into conformity using the guidelines of minimal requirements set out in this audit review.

Conclusion - Response accepted.

- I-H-07 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events. Currently the rent proceeds are being recorded in the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. In the future the district should receipt rent collected for facility usage into the General Fund.

Response - Starting immediately now that this has been brought to our attention we will receipt monies received for use of any facility for sports events or other purposes into the general fund.

Conclusion - Response accepted.

- I-I-07 Receipting Procedures - We noted that sponsors of student organizations were collecting from individuals, fundraising events and other revenue fees. The sponsor or designated individual collections, which subsequently are turned into the office for receipting, depositing and posting, do not appear to include documentation for later reconciliation uses. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The district actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - All sponsors of student organizations when collecting from individuals, fundraising events and other revenue fees always reconcile what was sold, collected and turned into the office. These forms are kept in the secondary office and reconciled with that secretary. We will see that copies of all reconciliations are sent to the central office.

Conclusion - Response accepted.

- I-J-07 Student Activity Fund-Individuals Receiving Checks- We noted during our audit that the District wrote checks to individual students in the Student Activity fund for scholarships. According to the Uniform Accounting Manual from the Department of Education, no funds from a student organization may be distributed to individual students.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply. The District has a scholarship trust fund set up on the books. Any scholarship revenues should be receipted into this fund and when a scholarship is awarded, the check should be written to the college/university instead of the student.

Response - When the 2007-08 scholarships were distributed all funds were distributed from the scholarship fund and made out to the college or university. Monies are no longer distributed from the student activity funds or directly to the students.

Conclusion - Response accepted.

- I-K-07 Clothing Purchased for Coaches - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document

the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District should refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups. The costs associated with the clothing should be reimbursed from the employee or added to their W-2's as additional compensation.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing for coaches and other District employees in lieu of using public funds.

Response - The Athletic Director and Booster club has been instructed that clothing for the coaches is not to be purchased with public funds or from accounts maintained or accounted for by the district.

Conclusion - Response accepted.

SOUTH PAGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

- II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007 exceeded the amount budgeted in the other expenditures functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The budget will be monitored to keep from being overspent but should it become necessary it will be amended in accordance with 24.9 of the Iowa Code.

Conclusion - Response accepted.

- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Deb Wallin, Board Member		
Spouse owns Wallin's Heating and Cooling	Services	\$811

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the spouse of the board member does not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-07 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2006 was understated by 1 student, which resulted in understating the total actual enrollment at line 7 by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-07 Financial Condition - We noted during our audit that the Student Activity Fund included accounts with negative balances. We also noted that the Proprietary Fund, School Nutrition Fund had deficit unrestricted net assets of \$3,576 at June 30, 2007.

Recommendation - The District should monitor these deficit accounts and ensure that purchases are not made without the sufficient funds to pay for them.

Response - The district will monitor all accounts and ensure that purchases are not made without the sufficient funds to pay for them.

Conclusion - Response accepted.

II-K-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The district will request from the banking institution an image of both the front and back of each cancelled check.

Conclusion - Response accepted.